

**Growth Projections
for 2005 Nebraska Medicaid Reform Project**

Executive Summary

The Medicaid Expenditure Projections for Medicaid Reform were prepared by applying increases in projected Medicaid population and projected medical costs to total Medicaid expenditures by eligibility group.

The total population forecast was provided by Jerry Deichert from the Center of Public Affairs Research at the University of Nebraska at Omaha. Jerry Deichert is the director and senior research associate at the Center for Public Affairs Research (CPAR). The Center for Public Affairs Research is the lead agency for the Nebraska State Data Center program, which provides access to the information available from the U.S. Census Bureau. His areas of research include economic projections for the state and population projections for the state, counties and other sub-areas. Jerry Deichert is also the Manager of the Nebraska State Data Center.

The basis for the forecast of the Medicaid eligibles by Medicaid Group was the total Nebraska Medicaid eligibles multiplied by the percentage increase in the population projection of the like age group. Additional consideration was given to the impacts of changes in poverty level, migration specific to the disabled population and additional cost as the Adult disabled population ages into the Aged category. However, no adjustments were made for these potential impacts .

The basis for the forecast of the Medicaid cost by Medicaid Group by month is the 2005 Average Monthly Cost per Eligible. Cost adjustment factors were developed by Medicaid Group using a blending of historical Medicaid increases and national medical cost forecasts. The methodology provides consideration for the impact of technology changes in the costs of the Medicaid groups, to the extent they have been felt historically.

The resulting total eligibles were multiplied by projected costs per person to arrive at a total projected General Fund expenditure.

The impact of Medicare Part D changes, Drug Rebates and Premiums for Medicare Part B are not included in the base expenditure forecast results but may be added later as an adjustment.

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Background

The base forecast for the Projections for 2005 Medicaid Reform was provided by Jerry Deichert from the Center of Public Affairs Research at the University of Nebraska at Omaha. Jerry Deichert is the director and senior research associate at the Center for Public Affairs Research (CPAR). The Center for Public Affairs Research is the lead agency for the Nebraska State Data Center program which provides access to the information available from the U.S. Census Bureau. His areas of research include economic projections for the state and population projections for the state, counties and other sub-areas. Jerry is also the Manager of the Nebraska State Data Center.

The base forecast contained projections of total population for men and women by single year age groups through 2030. The basis for the base forecast are numbers from the 2000 Census and include adjustments for deaths, births and net migration.

The assumptions are:

- The aggregate net migration will be about 0, that is the number of people moving into the state will be similar to the number leaving the state. The specific rates by age are the same for men and women and are constant throughout the projection period. They are based on a weighted average of the rates of the 1980s and 1990s.
- The birth rates by age of mother were calculated for 2000 and adjusted to reflect the increasing births during the first 3 years of the 2000s and then held constant during the rest of the projection period. Survival rates are national survival rates and vary by gender. These rates change every year during the projection period.

Nebraska Population Forecast

	2005	2010	2015	2020	2025
Total Population:	1,762,961	1,818,531	1,877,193	1,934,948	1,990,775
Total 20 years and Under	527,200	533,275	546,179	567,826	583,911
Total 21 to 64 inclusive	999,260	1,035,793	1,049,315	1,040,568	1,031,625
Total 65 and over	236,501	249,463	281,699	326,554	375,239
5 year % Change:					
Total Population Change		3.15%	3.23%	3.08%	2.89%
Total 20 years and Under		1.15%	2.42%	3.96%	2.83%
Total 21 to 64 inclusive		3.66%	1.31%	-0.83%	-0.86%
Total 65 and over		5.48%	12.92%	15.92%	14.91%
Age Group Compared to total population					
% children	29.9%	29.3%	29.1%	29.3%	29.3%
% adult	56.7%	57.0%	55.9%	53.8%	51.8%
% aged	13.4%	13.7%	15.0%	16.9%	18.8%

The next step was to determine the number of Medicaid Eligibles using the base forecast of total population for the State of Nebraska and other knowledge and known facts. The goal was to develop a projection of units and costs which would extend to 2030 and serve as the basis for expenditure projections and possibly sensitivity analysis for the options being developed within each of the Medicaid Reform workgroups. There are no adjustments for birth/death rates specific to Nebraska specific data as these adjustments are already represented in the base forecast. There are no adjustments for changes in eligibility, changes in program benefits or additional programs.

Units (Medicaid Eligibles by Group)

Projections of the Medicaid Eligible Population per Medicaid Category per month
Years included 2005 to 2025

	Actual 2005	2010	2015	2020	2025
Aged (65+)	18,291	19,293	21,787	25,256	29,021
Blind	241	248	252	254	255
Disabled	28,483	29,278	29,771	30,012	30,145
ADC Adults	23,635	24,499	24,819	24,612	24,401
Children (20 and under)	128,107	129,583	132,719	137,979	141,887
Total Medicaid Eligibles	198,757	202,902	209,347	218,112	225,709

5 year % Change of Medicaid Eligible population per category

	2010	2015	2020	2025
Aged (65+)	5.48%	12.92%	15.92%	14.91%
Blind	2.79%	1.68%	0.81%	0.44%
Disabled	2.79%	1.68%	0.81%	0.44%
ADC Adults	3.66%	1.31%	-0.83%	-0.86%
Children (20 and under)	1.15%	2.42%	3.96%	2.83%
Total Medicaid Eligibles	2.09%	3.18%	4.19%	3.48%

The base forecast of total population for the State of Nebraska is the starting point for determination of the respective Medicaid Groups of Aged, Blind/Disabled, Children and ADC Adults. The Medicaid Eligible populations were developed using 2005 actual information. A ratio was recreated by comparing the average monthly eligibles to the respective age groups within the total population; for example, Total Medicaid Eligible Aged to Total Aged population. The ratio was then applied to the base forecast of people 65+ on a year by year basis to determine the number of eligibles in each group during the forecast period. This methodology was applied to each of the Medicaid Groups.

Assumptions include:

- The ratio of the number of Medicaid Group eligibles to the respective age population group will remain constant throughout the forecast period. This methodology will reflect the changes in population demographics throughout the forecast period.
- The impact of the changes in the poverty level was considered, but no adjustments were included.
- The migration of disabled from other states was considered, but no data exist to estimate the potential impact.
- The migration of Adult Disabled to the Aged category was not adjusted due to the similar costs associated with each group.

Costs (Medicaid costs by Medicaid Group by month)

Projections of the Medicaid Cost per Medicaid Category per eligible per month
Years included 2005 to 2025

	Actual 2005	2010	2015	2020	2025
Aged (65+)	\$ 1,662.90	\$ 2,144.53	\$ 2,742.42	\$ 3,522.83	\$ 4,525.32
Blind	\$ 985.50	\$ 1,112.33	\$ 1,244.65	\$ 1,399.16	\$ 1,572.86
Disabled	\$ 1,649.32	\$ 2,307.45	\$ 3,201.51	\$ 4,461.70	\$ 6,217.94
ADC Adults	\$ 367.16	\$ 533.86	\$ 769.87	\$ 1,115.11	\$ 1,615.17
Children (20 and under)	\$ 234.74	\$ 333.08	\$ 468.72	\$ 662.51	\$ 936.44

5 year % Change of Average Cost per eligible per category

	2010	2015	2020	2025
Aged (65+)	29%	28%	28%	28%
Blind	13%	12%	12%	12%
Disabled	40%	39%	39%	39%
ADC Adults	45%	44%	45%	45%
Children (20 and under)	42%	41%	41%	41%

The basis for the forecast of the Medicaid cost by Medicaid Group by month is the 2005 Average Monthly Cost per Eligible. The cost adjustment factor was developed based on blending the historical Nebraska Medicaid average cost change rate for 5 years and the national annual medical expenditure per capita projections provided by CMS Office of the Actuary at the Centers for Medicare and Medicaid Services.

Assumptions include:

- The cost adjustment factor was developed to include the impact of 5 years of historical results specific to Nebraska by Medicaid Group and data based on CMS actuary projections for 2006-2014 of health care costs trends at the national level.
- The impact of Medicaid Part D changes, Drug Rebates and Premiums for Medicare Part B are not included in the base expenditure forecast results but added later as an adjustment.

- The changes in technology that would impact health care costs have been considered. The changes are included in historical data; no further adjustments have been included.

*Expenditures of Annual Medicaid Costs by Medicaid Group

Projections of the Medicaid Expenditure per Medicaid Category

Years included 2005 to 2025

	Actual 2005	2010	2015	2020	2025
Aged (65+)	\$ 364,993,247	\$ 496,505,299	\$ 716,977,035	\$ 1,067,658,383	\$ 1,575,950,758
Blind	\$ 2,850,066	\$ 3,306,646	\$ 3,762,313	\$ 4,263,576	\$ 4,814,154
Disabled	\$ 563,730,979	\$ 810,690,870	\$ 1,143,750,383	\$ 1,606,847,391	\$ 2,249,287,336
ADC Adults	\$ 104,133,919	\$ 156,947,881	\$ 229,287,491	\$ 329,340,925	\$ 472,931,068
Children (20 and under)	\$ 360,862,046	\$ 517,936,442	\$ 746,492,366	\$ 1,096,955,206	\$ 1,594,422,895
Total Expenditure	\$ 1,396,570,257	\$ 1,985,387,138	\$ 2,840,269,589	\$ 4,105,065,480	\$ 5,897,406,211

40% of Total Expenditure	\$ 558,628,103	\$ 794,154,855	\$ 1,136,107,835	\$ 1,642,026,192	\$ 2,358,962,484
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5 year % Change of Medicaid Expenditure per category

	2010	2015	2020	2025
Aged (65+)	36%	44%	49%	48%
Blind	16%	14%	13%	13%
Disabled	44%	41%	40%	40%
ADC Adults	51%	46%	44%	44%
Children (20 and under)	44%	44%	47%	45%
Total Expenditure	42%	43%	45%	44%

Average Annual Percent Change

	2010	2015	2020	2025
HHSS ST Medicaid Expenditures	7.29%	7.42%	7.64%	7.51%
Appropriation Avail for Medicaid	3.98%	5.20%	5.20%	5.20%

*Expenditure net of other adjustments (Part B Premiums, drug rebates, etc.)

